



General Assembly

February Session, 2022

***Raised Bill No. 5405***

LCO No. 2685



Referred to Committee on FINANCE, REVENUE AND  
BONDING

Introduced by:  
(FIN)

***AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS  
CONCERNING THE INVESTMENT ADVISORY COUNCIL AND  
RELATED STATUTES.***

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 3-13a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Treasurer, with the advice and consent of the Investment  
4 Advisory Council, shall appoint a chief investment officer and may  
5 appoint a deputy chief investment officer, [and] principal investment  
6 officers, investment officers and other personnel to assist the chief  
7 investment officer, for the Connecticut retirement pension and trust  
8 funds, who shall serve at the pleasure of the Treasurer and whose  
9 compensation shall be determined by the Treasurer within salary ranges  
10 established by the Treasurer in consultation with the Investment  
11 Advisory Council. The provisions of section 4-40 shall not apply to the  
12 compensation of [said] such officers and personnel. The chief  
13 investment officer shall be sworn to the faithful discharge of duties

14 under law and shall, under the direction of the Treasurer and subject to  
 15 the provisions of sections 3-13 to 3-13d, inclusive, and 3-31b, as  
 16 amended by this act, advise the Treasurer on investing the trust funds  
 17 of the state. [Said] The chief investment officer shall also perform such  
 18 other duties as the Treasurer may direct. [In addition to said officers, the  
 19 Treasurer may appoint investment officers and other personnel to assist  
 20 said chief investment officer, which officers and other personnel shall  
 21 serve at the pleasure of the Treasurer.]

22 (b) The Treasurer may retain professional investment counsel to  
 23 evaluate and recommend to the Treasurer changes in the portfolio of the  
 24 state's trust and other funds. [Said] Such counsel shall inform the  
 25 Treasurer of suitable investment opportunities and shall investigate the  
 26 investment merit of any security or group of securities.

27 (c) The cost of operating the investment department including the  
 28 cost of personnel and professional investment counsel retained under  
 29 sections 3-13 to 3-13d, inclusive, and 3-31b, as amended by this act, shall  
 30 be paid by the Treasurer charging the income derived from the trust  
 31 funds.

32 Sec. 2. Section 3-13b of the general statutes is repealed and the  
 33 following is substituted in lieu thereof (*Effective from passage*):

34 (a) (1) There is created an Investment Advisory Council [which] that  
 35 shall consist of the following:

36 [(1)] (A) The Secretary of the Office of Policy and Management who  
 37 shall serve as an ex-officio member of said council; [(2) the State]

38 (B) The Treasurer who shall serve as an ex-officio member of said  
 39 council; [(3) five]

40 (C) (i) Five public members all of whom shall be experienced in  
 41 matters relating to investments. The Governor, the president pro  
 42 tempore of the Senate, the Senate minority leader, the speaker of the  
 43 House of Representatives and the minority leader of the House of

44 Representatives shall each appoint one such public member to serve for  
 45 a term of four years. [No such public member or such member's business  
 46 organization or affiliate shall directly or indirectly contract with or  
 47 provide any services for the investment of trust funds of the state of  
 48 Connecticut during the time of such member's service on said council  
 49 and for one year thereafter. The term of each public member in office on  
 50 June 30, 1983, shall end on July 1, 1983.] The appointing authority shall  
 51 fill all vacancies of the public members. [(4) three]

52 (ii) Such public members shall recuse themselves from discussions or  
 53 votes related to any direct or indirect contract with such public member  
 54 or such member's business organization or affiliate for the provision of  
 55 any services for the investment of trust funds of the state;

56 (D) Three representatives of the teachers' unions, and two  
 57 representatives of the state employees' unions. On or before July 15,  
 58 1983, the teachers' unions shall jointly submit to the [State] Treasurer a  
 59 list of three nominees, and the state employees' unions or a majority  
 60 thereof who represent a majority of state employees shall jointly submit  
 61 to the Treasurer a list of two nominees. On or before July 30, 1983, the  
 62 Governor shall appoint five members of the council from such lists, for  
 63 terms of two years. Any person appointed to fill a vacancy or to be a  
 64 new member at the expiration of a given term, whose predecessor in  
 65 that position was either a representative of one of the teachers' unions  
 66 or one of the state employees' unions, shall also be a representative of  
 67 such respective union group. Any such appointee shall be appointed by  
 68 the Governor from a list of nominees submitted to the Treasurer by the  
 69 teachers' unions or state employees' unions or such majority thereof, as  
 70 the case may be, within thirty days of notification by the Treasurer of  
 71 the existence of a vacancy or a prospective vacancy, or the expiration or  
 72 prospective expiration of a term.

73 (2) All members of the council shall serve until their respective  
 74 successors are appointed and have qualified. No public member of the  
 75 council shall serve more than two consecutive terms. [which commence  
 76 on or after July 1, 1983.]

77 (b) The Governor shall designate one of the members to be  
78 chairperson of the council to serve as such at the Governor's pleasure.  
79 The Treasurer shall serve as secretary of said council. A majority of the  
80 members of the council then in office shall constitute a quorum for the  
81 transaction of any business, and action shall be by the vote of a majority  
82 of the members present at a meeting. Votes by members on investment  
83 policies shall be recorded in the minutes of each meeting. Members of  
84 said council shall not be compensated for their services but shall be  
85 reimbursed for all necessary expenses incurred in the performance of  
86 their duties as members of said council. The council shall meet at least  
87 once during each calendar quarter and at such other times as the  
88 chairperson deems necessary or upon the request of a majority of the  
89 members in office. Special meetings shall be held at the request of such  
90 majority after notice in accordance with the provisions of section 1-225.  
91 Any member who fails to attend three consecutive meetings or who fails  
92 to attend fifty per cent of all meetings held during any calendar year  
93 shall be deemed to have resigned from office.

94 (c) (1) The Treasurer shall recommend to the Investment Advisory  
95 Council an investment policy statement [which] that shall set forth the  
96 standards governing investment of trust funds by the Treasurer. Such  
97 statement shall include, with respect to each trust fund, without  
98 limitation, (A) investment objectives; (B) asset allocation policy and risk  
99 tolerance; (C) asset class definitions, including specific types of  
100 permissible investments within each asset class and any specific  
101 limitations or other considerations governing the investment of any  
102 funds; (D) investment manager guidelines; (E) investment performance  
103 evaluation guidelines; (F) guidelines for the selection and termination  
104 of providers of investment-related services who shall include, but not  
105 be limited to, investment advisors, external money managers,  
106 investment consultants, custodians, broker-dealers, legal counsel, and  
107 similar investment industry professionals; and (G) proxy voting  
108 guidelines. A draft of the statement shall be submitted to the Investment  
109 Advisory Council at a meeting of said council and shall be made  
110 available to the public. Notice of such availability shall be published in

111 at least one newspaper having a general circulation in each municipality  
 112 in the state which publication shall be not less than two weeks prior to  
 113 such meeting. Said council shall review the draft statement and shall  
 114 publish any recommendations it may have for changes to such  
 115 statement in the manner provided for publication of the statement by  
 116 the Treasurer. The Treasurer shall thereafter adopt the statement,  
 117 including any such changes the Treasurer deems appropriate, with the  
 118 approval of a majority of the members appointed to said council. If a  
 119 majority of the members appointed to said council fail to approve such  
 120 statement, [said] such majority shall provide the reasons for its failure  
 121 to approve to the Treasurer who may submit an amended proposed  
 122 statement at a subsequent regular or special meeting of said council.  
 123 Such revised proposed statement shall be made available to the public  
 124 in accordance with the provisions of the Freedom of Information Act, as  
 125 defined in section 1-200. Any revisions or additions to the investment  
 126 policy statement shall be made in accordance with the procedures set  
 127 forth in this subdivision for the adoption of the statement. The Treasurer  
 128 shall annually review the investment policy statement and shall consult  
 129 with the Investment Advisory Council regarding possible revisions to  
 130 such statement.

131 (2) All trust fund investments by the [State] Treasurer shall be  
 132 reviewed by [said] the Investment Advisory Council. The Treasurer  
 133 shall provide to the council all information regarding such investments  
 134 which the Treasurer deems relevant to the council's review and such  
 135 other information as may be requested by the council. The Treasurer  
 136 shall provide a report at each regularly scheduled meeting of the  
 137 Investment Advisory Council as to the status of the trust funds and any  
 138 significant changes [which] that may have occurred or [which] that may  
 139 be pending with regard to the funds. The council shall promptly notify  
 140 the Auditors of Public Accounts and the Comptroller of any  
 141 unauthorized, illegal, irregular or unsafe handling or expenditure of  
 142 trust funds or breakdowns in the safekeeping of trust funds or  
 143 contemplated action to do the same within [their] the council's  
 144 knowledge. The Governor may direct the Treasurer to change any

145 investments made by the Treasurer when in the judgment of said  
 146 council such action is for the best interest of the state. Said council shall,  
 147 at the close of the fiscal year, make a complete examination of the  
 148 security investments of the state and determine, as of June thirtieth, the  
 149 value of such investments in the custody of the Treasurer and report  
 150 thereon to the Governor, the General Assembly and beneficiaries of trust  
 151 funds administered, held or invested by the Treasurer. With the  
 152 approval of the Treasurer and the council, [said] such report may be  
 153 included in the Treasurer's annual report.

154 (d) The Investment Advisory Council shall be within the office of the  
 155 [State] Treasurer for administrative purposes only.

156 (e) For the purposes of this section, "teachers' union" means a  
 157 representative organization for certified professional employees, as  
 158 defined in section 10-153b, and "state employees' union" means an  
 159 organization certified to represent state employees, pursuant to section  
 160 5-275.

161 Sec. 3. Section 3-13i of the general statutes is repealed and the  
 162 following is substituted in lieu thereof (*Effective from passage*):

163 (a) On and after January 1, 2001, or on and after the first adoption of  
 164 an investment policy statement under section 3-13b, as amended by this  
 165 act, whichever is later, any contract for services related to the investment  
 166 of trust funds, as defined in section 3-13c, shall be subject to the  
 167 investment policy statement adopted under section 3-13b, as amended  
 168 by this act. [No contract for services related to the investment of such  
 169 funds shall be awarded to a provider of such services until the  
 170 Treasurer's recommendation of a provider is reviewed by the  
 171 Investment Advisory Council. The] If any contract for services related  
 172 to the investment of trust funds deviates from such investment policy  
 173 statement, the Treasurer shall provide notice of [such] the Treasurer's  
 174 recommendation concerning the selection of such provider at a meeting  
 175 of the council. Not later than forty-five days after such meeting, the  
 176 council may file a written review of the Treasurer's recommendation

177 [concerning the selection of such provider] with the Office of the  
 178 Treasurer where it shall be available for public inspection. The Treasurer  
 179 may proceed to award the contract after such forty-five-day period.

180 (b) Commencing with the calendar quarter ending September 30,  
 181 2022, and each calendar quarter thereafter, the Treasurer shall submit a  
 182 report to the Investment Advisory Council regarding contracts awarded  
 183 for services related to the investment of trust funds during each such  
 184 calendar quarter. The initial report shall include all such contracts  
 185 awarded and in effect on July 1, 2022, and each report shall include the  
 186 name of each provider awarded any such contract and the value of such  
 187 contract.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-13a
Sec. 2	<i>from passage</i>	3-13b
Sec. 3	<i>from passage</i>	3-13i

Section 1	<i>from passage</i>	3-13a
Sec. 2	<i>from passage</i>	3-13b
Sec. 3	<i>from passage</i>	3-13i

***FIN***      *Joint Favorable*